

# M e m o r a n d u m

To: Panel Members Date: June 22, 2007

From: Diana Torres, Manager Analyst: C. Robinson

Subject: One-Step Agreement for **MCCAIN FOODS USA, INC.**

## **CONTRACTOR:**

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Promotion of California's Manufacturing Workforce  
Simulating Exports/Imports  
Moving To A High Performance Workplace
- Type of Industry: Manufacturing
- Repeat Contractor: No
- Contractor's Full-Time Employees
  - Worldwide: 20,000
  - In California: 174
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

## **CONTRACT:**

- Program Costs: \$270,810
- Substantial Contribution: \$0
- Total ETP Funding: \$270,810
- Total In-kind Contribution: \$260,654
  - Trainee Wages Paid During Training: \$260,654
  - Other Contributions: \$0
- Reimbursement Method: Fixed-Fee
- County(ies) Served: San Bernardino

### **INTRODUCTION:**

Headquartered in Lisle, Illinois, McCain Foods USA, Inc. (McCain) operates more than 55 food related manufacturing facilities on six continents. Its products include French fries, potato specialties, vegetables, desserts, pizzas, juices, beverages, oven meals, entrees, and appetizers. Since 1954, the company's Colton division uses proprietary methods to produce sautéed, breaded, caramelized, and fire/smokehouse roasted vegetables. The company's products are sold nationally to customers in the frozen food product industry and fast food industries.

McCain's only California facility employs 174 employees and is eligible for standard ETP funding as a manufacturer facing out-of-state competition in accordance with Title 22, California Code of Regulations (CCR), Section 4416(i).

### **MEETING ETP GOALS AND OBJECTIVES:**

McCain proposes training that will further the following ETP goals and objectives:

- 1) Stimulate exports in industries threatened by out-of-state competition.
- 2) Adapt companies to a high performance workplace.
- 3) Promote the retention of the State's manufacturing workforce.
- 4) Develop the skills of frontline workers and foster long-term job retention.

**TRAINING PLAN TABLE:**

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Job Number 1 Retrainees	Menu: Continuous Improvement Skills	177	24 - 200	-0 -	\$1,530	*\$12.38 - \$45.50
Wages After 90-Day Retention						
<u>Occupation</u>  Managers/Supervisors Administrative Staff Production Workers Quality Control Technicians Leads						
<u>Health Benefits Used To Meet ETP Minimum Wage:</u>  *Health Benefits of at least \$2.68 per hour may be applied to the base wage in order to meet the ETP minimum hourly wage of \$12.38 for San Bernardino County.					<u>Turnover Rate</u>  17.6%	<u>% Of Mgrs &amp; Supervisors To Be Trained:</u>  8%
<u>Other Employee Benefits:</u>  In addition to Medical, McCain offers Paid Time Off (PTO).						

**COMMENTS / ISSUES:**

➤ ***Frontline Workers***

Of the 177 retrainees, 163 (92 percent) meet the Panel definition of frontline workers under Title 22, CCR, Section 4400(ee). The remaining fourteen retrainees are managers/supervisors (eight percent), none of whom set company policy.

➤ ***Production During Training***

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

**RECOMMENDATION:**

Staff recommends that the Panel approve this proposal based on McCain's need to expand its training efforts, allow employees to participate in lean processes, meet changing customer needs, and establish a high performance workplace with improved company operating procedures.

**NARRATIVE:**

McCain reports production expenses continue to rise in California and now exceed the cost experienced by similar food manufacturers located outside of the State. According to McCain representatives, these "store brand" competitors produce cheaper products. Therefore, the company needs to eliminate waste, improve quality, and provide exceptional customer service to compete effectively and remain viable.

McCain identified several goals over the next two years to more efficiently produce a variety of products in less time, at a lower cost, and improve customer relationships. These goals include launching new products, achievement of American Institute of Baking (AIB) Gold Standard, reduced inventory dollars, improved product yields, faster delivery times, and increased employee participation. McCain also evaluated the efficiency of its current cellular manufacturing climate and determined additional employee skills are needed to streamline processes throughout the Southern California facility.

Training in internal process and cellular manufacturing improvements will allow employees to function successfully and meet company goals in a new, fast-paced, and more demanding high performance work environment.

**Continuous Improvement:**

Focusing on Continuous Improvement training represents a major commitment by McCain to upgrade the skills of its employees which will improve the quality of product, decrease delivery time to customers, and increase profitability of the company. All occupations included in the proposed training plan will receive Continuous Improvement topics to allow them to contribute toward company process improvements and transition McCain to a high performance workplace. Training in Teambuilding, Conflict Resolution, and Communication Skills will improve all employees' ability to interact professionally in a teamwork environment with both internal and external customers. Leadership and Root Cause Analysis training will allow frontline workers and managers/supervisors to support the company's lean manufacturing efforts in manufacturing cells and other aspects of its operations.

Lean Manufacturing Training, Kaizen, Supply Chain Management, and Six Sigma topics will give all employees skills to participate in improving manufacturing efficiency, product quality, and production techniques. This training will facilitate the transfer of process improvement skills to all employees and enable them to make key decisions at every functional level of the facility organization to streamline improvements. Employees will be able to make decisions quickly and use a foundation of skills to identify and manage problems effectively. They will learn to identify sources of waste and opportunities for improvement.

**NARRATIVE:** (continued)

***Commitment to Training***

McCain representatives state that ETP funding will not displace McCain's own resources for training.

Although McCain does not have a formal training budget, it provides informal on-the-job training, new employee orientation, sexual harassment prevention, and general safety training. This training is conducted on an as-needed basis and the San Bernardino facility will continue to deliver it at the company's expense.

McCain's representatives state that the proposed training has never been delivered in the past and does not displace its current informally delivered training. ETP funding will allow the company to offer needed training to support the company's goals utilizing a formal training program backed by the company headquarters' executive management. Upon completion of ETP-funded training, the company plans to continue training in many of these areas at its own expense.

**SUBCONTRACTORS:**

To be determined.

**THIRD PARTY SERVICES:**

The IM Group in West Hollywood assisted with the ETP Application and helped prepare the training plan for a flat fee of \$16,800.

**McCain Foods USA, Inc.**  
Menu Curriculum

Class/Lab Hours  
(24-200 hours)

Trainees will receive any of the following:

**Continuous Improvement**

- Kaizen Process
- Kaizen Events
- Quality/Process Improvement
- Lean Sigma Concepts
- Six Sigma
- Supply Chain Management
- Root Cause Analysis
- Conflict Resolution
- Leadership
- Teambuilding Skills